

FY2020 ENACTED BUDGET

UNIVERSITY



Summary:

- State UGF funds for the University are cut by 41%, but University has access to much more than state funds. If other funding sources are maintained, the reduction is approx. 16% (**from \$888.5mm to \$746.4mm**):

University of Alaska Funding History (Mgmt Plan)									
	FY2016	FY2017	FY2018	FY2019	Enacted w/ vetoes FY2020				
UGF	350,787.0	324,883.5	317,033.5	327,033.5	191,780.4				
DGF	327,169.4	337,184.5	331,591.4	331,131.2	331,824.1				
Other	86,784.7	86,875.4	86,640.4	86,530.4	82,599.5				
Federal	150,852.7	150,852.7	143,852.7	143,852.7	140,225.9				
Total	915,593.8	899,796.1	879,118.0	888,547.8	746,429.9				
# Students (FTE)	19,229	18,456	17,555	17,555	17,555	<i>est. FTE for 2019-2020</i>			
Total Exp/FTE	\$47,615	\$48,754	\$50,078	\$50,615	\$42,520				
UGF/FTE	\$18,243	\$17,603	\$18,059	\$18,629	\$10,925				
Total Exp/FTE Change	2.5%	2.4%	2.7%	1.1%	-16.0%				
US Avg UGF/FTE	\$7,453	\$7,642	\$7,795	\$7,951	\$8,110	<i>est US avg @ +2% infl for 2018-2020</i>			
Ratio of AK:US UGF/FTE	244.8%	230.3%	231.7%	234.3%	134.7%				
<i>Source for FTE and U.S. Data: State Higher Education Executive Officers</i>									

- FY20 reductions take state contribution from more than double the average U.S. state contribution to about 35-40% higher than U.S. average
- Univ. of AK UGF spending/student is among highest in U.S.
 - \$16,391/student in AK v. \$7,642 U.S. average (2017 SHEEO data)
- UAF UGF spending is even higher: \$30,000+/student (2018 UA data)
- In 2016 and 2019, Legislature advised Regents to
 - “develop a plan for consolidation”
 - “increase self-supporting revenue and achieve a balanced, sustainable budget”
- In 2017, Moody’s downgraded University for over-reliance on state funding

- University has extensive duplicative programs
 - 2 engineering schools
 - 2 business/management schools
 - multiple schools of arts and sciences
 - multiple schools of education and teaching
- More than 50% of university staff are administrative or support in nature
- University has extensive high paid executive staff
- The governor and legislature both separated the community campus appropriation from the university appropriation. The governor and legislature intended to hold the community campuses, including UAS, harmless
 - There is a question whether the University is seeking to extend cuts to the community campuses
- The University should consider consolidating university programs, and eliminating duplicative bureaucracy
- The University's current retention and graduation rates are low.
 - Low retention reflects a "waste both of human and financial resources." Fisher Report, p. 12, 2011.
 - University needs to focus its efforts on developing core high quality programs
 - "University is substantially an unknown quantity in many academic disciplines and professional schools; failure to focus on core academic programs likely to result in "mediocrity." Fisher Report, p. 11, 2011.
- The University needs to improve its fundraising efforts
 - In 2011, fundraising described by expert as "mediocre at best"; alumni giving is "embarrassingly low." Fisher Report, p. 59, 2011.
- Research is an opportunity—brings in federal and private funds
 - University suggests state match is required for federal research funds
 - But private universities with no state funds are among the highest recipients of federal research funds: Johns Hopkins, Univ. of Pennsylvania, Stanford, Duke, Yale, Harvard
<https://ncesdata.nsf.gov/profiles/site?method=rankingBySource&ds=herd>

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UNIVERSITY



Background:

In FY 2019, the University received an unrestricted general fund (UGF) appropriation of \$327million. It allocated this appropriation amongst its three core services as follows:

Core Services (in priority order)	UGF	DGF	Other	Fed	Total	PFT	PPT	NP	% GF
1 Student Instruction	260,199.4	252,828.1	59,894.0	60,727.7	633,649.2	2976	143	0	77.9%
2 Research: Advancing Knowledge, Basic and Applied	37,089.3	52,632.6	17,707.8	74,299.1	181,728.8	748	32	0	13.6%
3 Service: Sharing Knowledge to Address Community Needs	29,744.8	25,670.5	8,928.6	8,825.9	73,169.8	269	14	0	8.4%
FY2019 Management Plan	327,033.5	331,131.2	86,530.4	143,852.7	888,547.8	3993	189	0	

As summarized in the table, the University has access to non-UGF funding sources in the form of federal funds, tuition (DGF), fees and receipts (DGF/Other), and donations. The University also has reserve funds and an endowment.

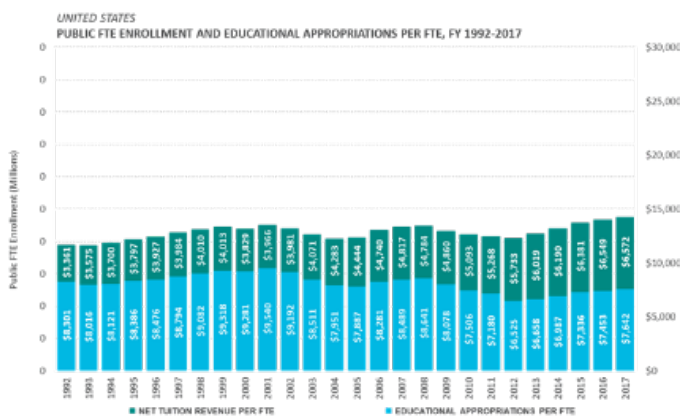
The University is and has been heavily dependent on state funding, far more than its peers, and more than what is needed to account for the higher cost of living and expenses in Alaska. The University reports 17,555 full-time equivalent students. Per student funding for FY2019 is:

- UGF per-student funding: \$18,629
- Total per-student funding: \$50,615

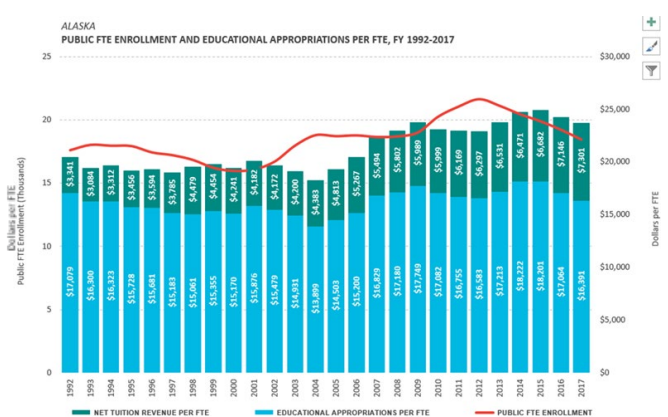
The state provides more than double the per-student funding, as compared to lower-48 state funded universities.

Average state spending on universities (1992-2017 SHEEO data):

U.S.--\$7,642/student



Alaska--\$16,391/student



Source: State Higher Education Executive Officers

In terms of percentage of total funding, the University ranks among the highest in state dependence among land grant universities (UAF data only):

Institution Name	% State
University of Puerto Rico-Mayaguez	70.8%
University of the District of Columbia	48.7%
Fond du Lac Tribal and Community College	44.0%
Kentucky State University	43.4%
University of Alaska Fairbanks	43.0%

Source: National Center for Education Statistics, IPEDS database

This over-reliance on state funding has led to downgrades of the University's credit by Moody's:

21 Aug 2017	Rating Update	University of Alaska, AK: Update – Moody's downgrades University of Alaska to A1; outlook stable	Moody's Investors Service
21 Aug 2017	Rating Action	Moody's downgrades University of Alaska to A1; outlook stable	Moody's Investors Service
17 Jul 2017	Rating Action	Moody's Places University of Alaska's Ratings on Review for Downgrade	Moody's Investors Service
13 Sep 2016	New Issue	University of Alaska (AK): New Issue - Moody's Confirms University of Alaska's Ratings and Assigns Aa3 to 2016 Series V; Outlook Negative	Moody's Investors Service
13 Sep 2016	Rating Action	Moody's Confirms University of Alaska's Ratings and Assigns Aa3 to 2016 Series V; Outlook Negative	Moody's Investors Service
27 Jul 2016	Rating Action	Moody's Places University of Alaska's Ratings on Review for Downgrade	Moody's Investors Service
10 Jun 2016	Issuer Comment	University of Alaska, AK: University of Alaska's Announced FY 2017 Budget Cut Within Expectations	Moody's Investors Service
03 Mar 2016	Rating Update	University of Alaska: Update - Moody's downgrades University of Alaska Gen. Rev. Bonds to Aa3; outlook negative	Moody's Investors Service
03 Mar 2016	Rating Action	Moody's downgrades University of Alaska Gen. Rev. Bonds to Aa3; outlook negative	Moody's Investors Service
04 Jun 2015	New Issue	Moody's revises University of Alaska's outlook to negative; assigns Aa2 to \$65.7M Gen. Rev. Bds. 2015 Ser. T	Moody's Investors Service
04 Jun 2015	Rating Action	Moody's revises University of Alaska's outlook to negative; assigns Aa2 to \$65.7M Gen. Rev. Bds. 2015 Ser. T	Moody's Investors Service

“The downgrade to A1 reflects the university’s material reliance on the State of Alaska with the resulting exposure to the fiscal and economic challenges of the state caused by low oil prices. With about half of UA’s operating budget, including on-behalf payments for pension and other post-retirement benefits, derived from state funding, we expect increased operating pressure at the university as the state addresses its significant structural imbalance.” Moody’s Rating Action, 8/21/2017. (Source: <https://www.moodys.com/credit-ratings/University-of-Alaska-AK-credit-rating-600027065>)

The primary cost-driver issue for the University has been the decision to build and staff two separately accredited full-service universities in the state, Anchorage and Fairbanks.¹ Compounding this issue is the fact that the University has sustained a substantial loss of students (19% reduction since 2012), particularly in Fairbanks. The University recently reported the closure of a third UAF dormitory in the past year.

Data supplied by the University shows that UAF costs three times more than what UAA costs on a per student basis. Additionally, UAF (excluding the research unit) costs more than UAA in total dollars, even though UAF has less than half of the FTE students that UAA has:

UA: FY2018 Revenue, Expenditures, and Enrollment										
	GF ⁽¹⁾	Tuition/Fees ⁽¹⁾	Fed ⁽¹⁾	Local	Revenue ⁽²⁾	Tuition/ Revenue	Expenditures ⁽¹⁾⁽²⁾	FTE ⁽³⁾	Exp/FTE	GF/FTE
UAA										
UAA Main Campus	\$93,834,216	\$65,627,300	\$17,840,580		\$177,302,096	37.0%	\$207,592,837	8,622	\$24,077	\$10,883.11
Kenai	\$6,462,088	\$5,819,520	\$16,588		\$12,298,196	47.3%	\$13,579,810	952	\$14,265	
Kodiak	\$2,365,837	\$1,284,860	\$44,967	\$60,000	\$3,755,664	34.2%	\$4,276,418	247	\$17,313	
MatSu	\$4,714,153	\$5,144,307	\$0		\$9,858,460	52.2%	\$9,847,724	837	\$11,766	
Prince William Sound	\$2,569,986	\$673,647	\$169,851	\$820,000	\$4,233,484	15.9%	\$4,707,454	214	\$21,997	
UAF										
UAF Main Campus	\$115,332,209	\$34,255,087	\$11,625,947		\$161,213,243	21.2%	\$214,576,488	3,616	\$59,341	\$31,894.97
Bristol Bay	\$1,256,609	\$371,263	\$1,471,426		\$3,099,298	12.0%	\$3,640,750	92	\$39,573	
Chukchi	\$848,844	\$55,593	\$57,593		\$962,029	5.8%	\$1,030,369	39	\$26,420	
Interior	\$1,435,500	\$582,695	\$914,727		\$2,932,922	19.9%	\$3,884,572	122	\$31,841	
Kuskokwim	\$2,669,877	\$777,774	\$142,306		\$3,589,957	21.7%	\$4,441,158	173	\$25,671	
Northwest	\$1,291,997	\$330,563	\$80,942		\$1,703,503	19.4%	\$1,866,640	64	\$29,166	
Rural	\$3,829,786	\$1,099,764	\$216,701		\$5,146,251	21.4%	\$5,944,869	233	\$25,514	
UAF Comm & Tech	\$4,876,257	\$4,900,128	\$111,032		\$9,887,417	49.6%	\$10,899,084	909	\$11,990	
UAS										
UAS Main Campus	\$19,446,816	\$7,280,114	\$2,034,123		\$28,761,053	25.3%	\$33,787,855	920	\$36,726	\$21,137.84
Ketchikan	\$2,167,000	\$1,391,624	\$691,242		\$4,249,866	32.7%	\$4,830,973	213	\$22,681	
Sitka	\$2,606,400	\$2,180,631	\$827,545		\$5,614,576	38.8%	\$6,215,538	303	\$20,513	
Community Campus Total	\$37,094,334	\$24,612,368	\$4,744,920	\$880,000	\$67,331,622	36.6%	\$75,165,359	4,398	\$17,091	\$8,434.36
Community Campus % of Total	13.1%	18.4%	13.1%	100.0%	14.8%		12.9%	25.1%		
University Campus Total	\$228,613,241	\$107,162,501	\$31,500,650	\$0	\$367,276,392	29.2%	\$455,957,180	13,158	\$34,652	\$17,374.47
University Campus % of Total	80.5%	80.1%	86.9%	0.0%	80.8%		78.1%	74.9%		
Statewide Services	\$18,117,284	\$2,076,483	\$0	\$0	\$20,193,767		\$52,856,630			\$1,031.97
UA Total	\$283,824,859	\$133,851,353	\$36,245,570	\$880,000	\$454,801,781	29.4%	\$583,979,169	17,556	\$33,264	\$16,166.83

By standing up duplicate programs at UAF and UAA (engineering, business management, arts and sciences, education), the University has created a situation where UAF and UAA appear to be competing for the same students. However, UAF has been unable to attract sufficient students to offset its high cost. Note, with only 3,616 FTE students, UAF is the size of a small to medium-sized college.

¹ Note, the Alaska Constitution establishes only one university. Alaska Const., art. 7, sec. 2. Moreover, the Constitution is silent with respect to any requirement to fund the university. The minutes of the Constitutional Convention in 1955-1956 likewise reflect no discussion on the matter.

University data confirms that, taken as a whole, the community campuses are more cost effective than the University campuses.² As shown in the table above, the average per-student UGF funding is \$8,434 for the community campuses v. \$17,374 for the University campuses. Since the University has a high percentage of students needing remedial tutoring, the community campuses are a cost-effective way to provide this instruction.

Staffing:

Data provided by the University also shows it has high administrative staff costs. Only about 10% of its staff are full professors. Well over 50% of its payroll consists of administrative and campus support staff. With the duplication of academic programs, the University has had to duplicate administrative staff as well. It reports over 100 executive management staff, including the president and dozens of chancellors, provosts, deans, and directors, with average salary and benefits exceeding \$175,000 per year.

Here is a summary of the data supplied by the University:

² University representatives have suggested that administrative costs for the community campuses are also included in the UAF expenses in the chart on p. 5. Note that in this chart, the statewide administrative costs are segregated and total over \$52.8mm. The University has not clarified or provided information regarding how much additional statewide administrative costs over the \$52.8mm are embedded in the UAF expense numbers.

FY2020 ENACTED BUDGET

UNIVERSITY



University of Alaska Staffing			
Administration			
Administrative Staff	1,926	\$144,032,066	
Executive Staff	136	\$23,685,584	
Communications and Broadcast Staff	128	\$8,167,272	
Development	40	\$3,051,710	
Subtotal	2,230	\$178,936,632	47.4%
Campus Support			
Facilities Staff	238	\$20,474,292	
Health Staff	30	\$2,254,100	
Safety Services	67	\$6,757,525	
Training Staff	64	\$3,952,150	
Subtotal	399	\$33,438,067	8.9%
Instruction and Research			
Professor	373	\$40,702,589	
Asst/Assoc Professor	1,040	\$91,120,368	
Research Staff	249	\$18,598,650	
Instructional Staff	49	\$3,960,638	
Library Staff	78	\$4,472,723	
Marine Staff	23	\$1,596,352	
Subtotal	1,812	\$160,451,320	42.5%
Athletics			
Athletics Staff	56	\$4,875,169	1.3%
Subtotal	56	\$4,875,169	
Total	4,497	\$377,701,188	100.0%
Source: Alaska Budget System, data from Univ of Alaska			

Here is a summary of the executive positions at the University, ordered by total salary + benefits:

JOB_TITLE	Total Sal + Ben
President	\$416,325
Chancellor	\$384,300
Chancellor	\$383,788
Vice President	\$307,440
Provost	\$285,499
Provost	\$278,705
Chancellor	\$270,040
Associate Dean/Faculty	\$269,967
Vice Chancellor (Admin)	\$266,426
Dean (Academic)	\$263,246

FY2020 ENACTED BUDGET

UNIVERSITY



Director (Academic-Faculty)	\$262,606
Dean (Academic)	\$262,605
Director (Academic-Faculty)	\$254,919
Dean (Academic)	\$254,791
Dean (Academic)	\$253,638
Director (Academic)	\$251,076
Dean (Academic)	\$250,954
Dean (Academic)	\$249,795
Dean (Academic)	\$244,718
Vice Chancellor (Admin)	\$244,679
Associate Dean/Faculty	\$239,082
General Counsel	\$238,886
Associate Dean/Faculty	\$238,208
Vice President	\$236,985
Vice Chancellor (Admin)	\$235,325
Director (Admin)	\$232,630
Director (Academic-Faculty)	\$231,897
Director (Academic-Faculty)	\$230,580
Vice Chancellor (Admin)	\$229,299
Director (Academic-Faculty)	\$226,353
Vice Chancellor (Admin)	\$225,456
Dean (Academic)	\$221,535
Director (Academic-Faculty)	\$216,266
Dean (Academic)	\$214,488
Director (Academic-Faculty)	\$212,018
Director (Academic-Faculty)	\$211,365
Provost	\$209,351
Vice Chancellor (Admin)	\$207,706
Director (Admin)	\$207,522
Director (Academic-Faculty)	\$205,005
Associate Dean/Faculty	\$202,142
Associate Vice President	\$198,555
Dean (Academic)	\$198,555
Director (Admin)	\$198,555
Executive Director	\$196,969
Associate Vice President	\$196,209
Associate Vice President	\$196,149
Associate Dean/Faculty	\$195,112
Associate Dean/Faculty	\$193,462
Dean (Academic)	\$192,902
Associate Vice Chancellor	\$192,150
Director (Academic-Faculty)	\$192,150
Director (Admin)	\$192,150
Vice Chancellor (Admin)	\$191,404
Associate Dean/Faculty	\$189,588
Vice Chancellor (Academic)	\$189,332

FY2020 ENACTED BUDGET

UNIVERSITY



Director (Academic-Faculty)	\$189,260
Director (Academic-Faculty)	\$188,563
Associate Vice Chancellor	\$186,797
Associate Vice Chancellor	\$185,873
Associate Vice President	\$185,744
Director (Admin)	\$184,966
Director (Admin)	\$183,183
Dean (Academic)	\$181,262
Associate Vice President	\$180,493
Executive Director	\$179,346
Director (Academic-Faculty)	\$179,341
Director (Academic-Faculty)	\$179,340
Dean (Academic)	\$179,010
Director (Admin)	\$178,547
Associate Vice Chancellor	\$177,002
Director (Academic-Faculty)	\$175,957
Director (Admin)	\$175,810
Director (Admin)	\$175,625
Campus President	\$172,952
Vice Chancellor (Admin)	\$172,439
Director (Academic-Faculty)	\$169,306
Director (Admin)	\$168,988
Vice Chancellor (Admin)	\$167,171
Director (Admin)	\$166,530
Associate Director/Faculty	\$165,770
Director (Academic-Faculty)	\$165,132
Director (Academic-Faculty)	\$164,290
Director (Admin)	\$161,278
Director (Admin)	\$160,750
Director (Academic-Faculty)	\$160,125
Director (Academic)	\$157,691
Director (Academic-Faculty)	\$153,742
Associate Dean/Faculty	\$153,720
Director (Academic-Faculty)	\$150,450
Associate Dean/Faculty	\$146,361
Associate Director/Faculty	\$146,035
Director (Admin)	\$146,034
Associate Dean/Faculty	\$143,728
Director (Admin)	\$143,074
Director (Academic-Faculty)	\$141,390
Executive Director	\$141,111
Associate Dean/Faculty	\$140,910
Director (Academic)	\$140,398
Vice-Provost	\$139,375
Associate Dean/Faculty	\$138,348
Director (Admin)	\$137,604

FY2020 ENACTED BUDGET

UNIVERSITY



Director (Academic-Faculty)	\$134,506
Director (Academic)	\$133,224
Director (Academic-Faculty)	\$132,747
Director (Academic)	\$131,943
Director (Academic)	\$131,943
Director (Admin)	\$131,811
Dean (Admin)	\$131,142
Executive Director	\$128,741
Director (Academic-Faculty)	\$128,100
Executive Officer	\$127,460
Executive Officer	\$127,460
Executive Director	\$121,944
Director (Academic-Faculty)	\$121,695
Executive Director	\$115,290
Director (Academic-Faculty)	\$114,506
Director (Academic)	\$108,501
Director (Academic-Faculty)	\$107,092
Associate Dean/Faculty	\$102,723

Budget:

In the Governor's amended budget introduced on February 13, 2019, the administration proposed a reduction of \$134 million UGF. While this represented a 41% reduction of UGF, the reduction is much smaller in percentage terms when considered in light of the University's other funding sources. The Legislature enacted a budget with a reduction of \$5 million UGF.

Governor Dunleavy proposed to split the University's budget into two separate appropriations: (1) a university appropriation, and (2) a community campus appropriation. The Governor also proposed increasing the funding for the community campuses and decreasing the funding for the university campuses. The Legislature accepted Governor Dunleavy's recommendation to split the university's funding into two appropriations.

The line item veto is **\$130.25mm**. When added to the \$5million-legislative reduction, this amounts to a total reduction of **\$135.25mm** from the FY2019 management plan. If existing other funding sources are maintained, total funding is reduced from **\$888.5mm to \$746.4mm**.

This line-item veto impacts primarily the Anchorage and Fairbanks universities. The funding for all of the community campuses, including University of Alaska Southeast remains intact.

The reduced funding equates to approximately \$11,000 UGF per student, which is about 35-40% higher than the national average. As shown in the chart on p. 5, University data reflects that UAA presently costs about \$11,000 UGF per student now. The challenge is to bring the rest of the university, primarily UAF, into that cost structure.

Allocation Scenario:

The University has some discretion on how to allocate the reduction. The following proposed approach reduces somewhat the impact to students. This is merely one scenario and is offered only as a suggestion to consider—not direction.

The starting point is FY2019 management plan:

	Core Services (in priority order)	UGF	DGF	Other	Fed	Total	PFT	PPT	NP	% GF
1	Student Instruction	260,199.4	252,828.1	59,894.0	60,727.7	633,649.2	2976	143	0	77.9%
2	Research: Advancing Knowledge, Basic and Applied	37,089.3	52,632.6	17,707.8	74,299.1	181,728.8	748	32	0	13.6%
3	Service: Sharing Knowledge to Address Community Needs	29,744.8	25,670.5	8,928.6	8,825.9	73,169.8	269	14	0	8.4%
	FY2019 Management Plan	327,033.5	331,131.2	86,530.4	143,852.7	888,547.8	3993	189	0	

From here reductions could be made as follows:

FY 2020 UGF Allocation Scenario

- Student Instruction
 - University: \$134.6 million (reduction of \$68.4 million)
 - Community: \$57.2 million (no reduction)
- Research: \$0 million (reduction of \$37.1million)
- Public Service: \$0 million (reduction of \$29.7million)
- Total UGF: \$191.8mm (reduction of \$135.2)

Under this scenario, the reduction would be borne by the two university campuses (UAF and UAA), the research unit and the public service function.

- Consolidation of UAA and UAF Programs

With respect to UAF and UAA, there is substantial duplication of programs, with multiple schools of engineering, business management, education, and arts and sciences in different locations. There appears to be some consensus on the need for consolidation of these programs. The Legislature included the following intent language in the budget: “It is the intent of the Legislature that the Board of Regents consider a plan to transition the University of Alaska from three separately accredited academic institutions into a single accredited institution with multiple community campuses, and that the Board of Regents provide a[n] update to the Legislature on the development of such a plan by December 1, 2019.” Similar language was included in the FY2016 budget.

The recommendation to consolidate programs goes back as far as 2011. In the report by James Fisher, he recommended that to avoid “mediocrity” the University “completely eliminate whole programs and departments in order to sustain its support for its most vital and highest quality programs.” Fisher Report, p. 47, 2011.

The University has an opportunity to consolidate duplicative programs into one location, but not necessarily the same location. While the University has persistently claimed that the Governor’s proposed budget would require it to close an entire campus, that is not at all clear.

For instance, the University could consolidate its two engineering schools into one school in Fairbanks. It could consolidate its arts and sciences programs into one school in Anchorage. It could consolidate its business management programs into one school in Anchorage, or take these programs online.³

The University has the discretion to consolidate in whatever way makes sense—hopefully in a way that brings the strongest elements of the duplicative programs together to make a stronger and higher quality core program. In any event, consolidation of duplicative programs is key to allocation of the reductions and should be considered.

Location disruption for students can be mitigated by live-streaming classes for students who are unable to move to Anchorage or Fairbanks. Moreover, just as

³ Universities are beginning to close their on-campus MBA programs and shift to online programs. J. Byrne, Forbes Magazine, “Why Business Schools are Shutting Down Their MBA Programs” May 26, 2019. <https://www.forbes.com/sites/poetsandquants/2019/05/26/why-business-schools-are-shutting-down-their-mba-programs/#46776bf73685>

the University was able to immediately consolidate its UAF and UAA education schools upon the failure of the UAA teaching school accreditation, there are similar opportunities for immediate consolidation—precisely because of the current extensive duplication of programs and schools in Anchorage and Fairbanks. With the consolidation of programs, also comes the opportunity to close or sell buildings, particularly ones that have an extensive deferred maintenance backlog.

- Research Unit

Next under this scenario, \$37.1 million in UGF funds are eliminated from the Research core service. This function is currently primarily funded with federal and other funds (\$146.6 million from federal, DGF and other funding sources in FY 2019 management plan). Federal funding can continue at this level, and potentially increase--the University is justifiably proud of its ability to attract federal funds; there may be opportunities to increase this funding. Other land grant universities have had substantial success in building out their research functions almost entirely without state funds (Michigan State, for example).

The University has recently asserted that it must have state funds in order to match federal funds. But this argument is undermined by the fact that among the largest recipients of federal research funds are private universities with no state funds (Johns Hopkins, Univ. of Pennsylvania, Stanford, Duke, Yale, and Harvard. See:

<https://ncesdata.nsf.gov/profiles/site?method=rankingBySource&ds=herd>).

If some additional matching funds are required, the University has an opportunity here to seek private funds to match federal funds to maintain and expand its research unit.

Our basic suggestion here is that the University should seek to replace the \$37mm in reduced UGF funds for the research unit with funds from other sources.

- Public Service

Also, under this scenario, \$29.7 million in UGF funds are eliminated from the Public Service function. This function consists of publications, cooperative extension and small business assistance. All of these functions can and should be supported entirely through fees and receipts.

Our basic suggestion here is that the University should seek to replace the \$29.7mm in reduced UGF funds for the public service function with fees.

- Community Campuses

Finally, under this scenario, the community campuses experience no UGF reduction. The Legislature fully funded the community campuses, and the Governor has not vetoed this line-item. This includes the entirety of UAS. As noted above, taken as a whole, the community campuses are more cost-effective, and there are opportunities here to leverage the community campuses in a cost-effective manner to provide remedial instruction. There is also an opportunity to consider reducing the tuition at community campuses, at the same time as launching a targeted marketing campaign for career and technical education to high school students to increase enrollment.

Outcomes:

Possibly because of the extensive duplication in programs, and the lack of academic and administrative focus, the University has experienced questionable outcomes in terms of retention, graduation rates and national rankings.

		Graduation Rates		
	1st year retention	4 yr	5 yr	6 yr
University of Alaska - Fairbanks	75%	15.3%	30.5%	39.2%
University of Alaska - Anchorage	71%	7.3%	17.3%	24.9%
University of Alaska - Southeast	64%	11.6%	15.7%	19.0%
Source: CollegeResults.Org, 2016 data				

	6 yr Graduation Rates Over Time					
	2011	2012	2013	2014	2015	2016
University of Alaska - Fairbanks	30.8%	33.2%	37.3%	42.3%	40.6%	39.2%
University of Alaska - Anchorage	25.3%	25.7%	27.8%	27.6%	26.6%	24.9%
University of Alaska - Southeast	25.8%	10.1%	12.2%	13.8%	24.7%	19.0%
Source: CollegeResults.Org						

The 2011 Fisher Report noted these concerns as well. Poor retention reflects a “waste both of human and financial resources.” Fisher Report, p. 12, 2011. “University is substantially an unknown quantity in many academic disciplines and professional schools”; failure to focus on core academic programs is likely to result in “mediocrity.” Fisher Report, p. 11, 2011. These concerns need to be addressed.

Summary:

The historic funding of the University has led to extensive duplication of programs in multiple locations. This in turn has led to duplication of administrative costs, and a decline in the quality of the University's programs. The de-accreditation of the UAA teaching program this year is evidence of this. As reported in the 2011 Fisher report, this issue is a long-standing one.

The State of Alaska needs to reduce its spending, particularly in areas that are inefficiently administered. The University needs to participate meaningfully in this process. The reduction in funding also gives the University an opportunity to improve its outcomes by consolidating its many duplicative programs and making its core programs stronger.

There is no question that the reduction in state funding will be disruptive. Nevertheless, with the reduction comes the opportunity to implement a laser focus on fewer but higher quality core programs. The low retention and low graduation rates need to end—this represents a poor return on the investment of state money. The administration has committed to working closely with the University on improving outcomes in the future.